

## Message Text

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PAGE 01 STATE 274645

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FOR ASST SEC ENDERS

FOL RPT DOHA 1280 ACTION SECSTATE NOV 18 QTE

C O N F I D E N T I A L DOHA 1280

DEPT PASS TREASURY FOR PARSKY

E.O. 11652: GDS

TAGS: EFIN EINV QA

SUBJ: QATARI INVESTMENTS ABROAD

REF: A) DOHA 1157; B) DOHA 9569

SUMMARY: CONVERSATION WITH GOQ DIRECTOR OF FINANCE HAS SHED MORE LIGHT ON GOVERNMENT REVENUES AND FOREIGN ASSETS. HE PROVIDED FIGURES ON ANTICIPATED REVENUES FOR 1975 AND 1976, AND BASED ON KNOWN OR ESTIMATED BUDGET FIGURES, GOQ FOREIGN ASSETS SHOULD INCREASE BY AT LEAST \$700 MILLION IN 1975. DIRECTOR NOTED, HOWEVER, THAT QATAR IS LIKELY TO OPT FOR SELF-FINANCING OF MAJOR DEVELOPMENT PROJECTS OVER NEXT FIVE YEARS WHICH WILL SUBSTANTIALLY REDUCE SURPLUS ACCUMULATION. WHETHER AS RESULT OF THIS OR SIMPLY DUE TO GOQ'S INNATE FINANCIAL CONSERVATISM, INVESTMENT BANKERS DO NOT CONSIDER IT LIKELY THAT QATAR WILL SIGNIFICANTLY ALTER MANAGEMENT OR NATURE OF INVESTMENTS ABROAD. END SUMMARY.

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PAGE 02 STATE 274645

1. DURING NOV 11 MEETING WITH AMBASSADOR, GOQ DIRECTOR OF FINANCE ABD AL QADIR AL QADI PROVIDED FURTHER INSIGHTS ON GOVERNMENT FINANCIAL PICTURE. QADI NOTED THAT REVENUES FOR 1975 SHOULD TOTAL \$1.7 BILLION AND SAID 1976 ESTIMATE IS ABOUT THE SAME (REVENUE INCREASE FROM OCT 1 OPEC PRICE HIKE WILL BE OFFSET BY NEW PRODUCTION CEILING OF 450,000 BPD EFFECTIVE JAN 1, 1976. PRESENT CEILING IS 520,000 BPD.).

2. QADI DID NOT PROVIDE A FIGURE FOR 1975 EXPECTED GOVERNMENT EXPENDITURES. HOWEVER, BANKING SOURCE HAS INFORMED US THAT EARLIER IN YEAR, QADI STATED TOTAL GOQ EXPENSES FOR DEVELOPMENT AND OPERATIONAL BUDGETS AND FOREIGN AID COMMITMENTS WOULD BE SLIGHTLY LESS THAN \$1 BILLION. BASED ON THIS FIGURE, SURPLUS REVENUES FOR 1975 WILL BE AT LEAST \$700 MILLION. EMBASSY ESTIMATES TOTAL GOQ FOREIGN ASSETS WILL REACH \$2.3 BILLION BY END 1975.

3. QADI NOTED THAT THERE IS TENDENCY ON PART OF SOME IN GOQ (HE DID NOT MENTION NAMES) TO FAVOR SELF-FINANCING OF MAJOR DEVELOPMENT PROJECTS BETWEEN NOW AND 1980. PROJECTS INCLUDE STEEL MILL, PETROCHEMICAL COMPLEX, REFINERY AND NGL PLANT, AND QADI SAID HE FEELS MOVE TO SELF-FINANCING WOULD BE ILL ADVISED. HE EXPRESSED BELIEF THAT GOVERNMENT SHOULD GO ON MARKET NOW TO ESTABLISH CREDIT RATING IN CASE OF FUTURE NEED FOR LONG TERM FINANCING. QADI SAID THAT WHILE HE IS PREPARING MEMO FOR AMIR IN SUPPORT OF BORROWING FOR CAPITAL PROJECTS, HE BELIEVES THOSE FAVORING SELF-FINANCING WILL WIN OUT. SHOULD THAT BE CASE, QADI SAID FOLLOWING BREAKDOWN OF BUDGET THROUGH 1980 APPEARED LIKELY: 25 PERCENT OF TOTAL ANNUAL REVENUES FOR PROJECT FINANCING; 50 PERCENT FOR CONTINUING OBLIGATIONS AND OPERATIONS; 8-10 PERCENT FOR FOREIGN AID; 15 PERCENT ESTIMATED SURPLUS. BASED ON ESTIMATED REVENUES FOR 1976 OF \$1.7 BILLION, GOQ FOREIGN ASSETS WOULD INCREASE BY ONLY \$205 MILLION UNDER THIS FORMULA.

4. ON SUBJECT OF PLACEMENT OF SURPLUS FUNDS, QADI SAID MOST ATTRACTIVE MARKETS ARE US, CANADA AND JAPAN. HE CHARACTERIZED GERMAN AND FRENCH MARKETS AS STAGNANT AND SAID SWISS MARKET IS TOO SMALL. AS USUAL, QADI DECLINED TO PROVIDE FIGURE FOR GOQ INVESTMENTS IN US, STATING THAT EXACT AMOUNT FLUCTUATED

CONFIDENTIAL

PAGE 03 STATE 274645

ACCORDING TO CHANGING MARKET CONDITIONS.

5. FURTHER ON GOQ INVESTMENTS IN US, HIGH POWER TEAM FROM FNCB WAS IN DOHA LAST WEEK TO PROVIDE GOQ WITH UPDATE ON INVESTMENT PROPOSAL FOR NORTH AMERICA (US AND CANADA) SUBMITTED LAST YEAR (KUWAIT 4887-1974). ACCORDING FNCB OFFICIAL, ORIGINAL PROPOSAL, WHICH WAS REQUESTED BY QADI, RECOMMENDED INVESTMENT OF \$50 MILLION BY GOQ OF WHICH \$35 MILLION WOULD BE PLACED IN

US AND \$15 MILLION IN CANADA. GOVERNMENT DID NOT REPLY TO PROPOSAL. FNCB OFFICIAL SAID NEW PRESENTATION REFLECTED DIFFERENT MARKET SITUATION AND NOTED IN PARTICULAR THAT BANK IS RECOMMENDING SMALLER INVESTMENT IN CANADA DUE INFLATPON AND OTHER ECONOMIC PROBLEMS. FNCB HAS INFORMED US ON SEVERAL OCCASIONS THEY PREPARED TO GIVE SPECIAL HANDLING TO GOQ INVESTMENT IF ONE IS MADE, AND OFFICIAL NOTED THAT GOVERNMENT COULD EXPECT STEADY RETURN IN 15 PERCENT RANGE. HE WAS NOT, HOWEVER, OVERLY OPTIMISTIC ABOUT PROPOSAL'S CHANCES FOR SUCCESS.

6. COMMENT: DESPITE QADI'S STATEMENTS TO US ON SEVERAL OCCASIONS THATHGOQ IS FINDING US INCREASINGLY ATTRACTIVE FINANCIAL MARKET, US BANKS, INCLUDING FNCB, TELL US THAT GOVERNMENT HAS MADE NO ENCOURAGING NOISES RE EXPANSION OF INVESTMENTS. THIS IS IN KEEPING WITH PREVIOUSLY REPORTED CONSERVATIVE GOQ ATTITUDE TOWARD INVESTMENTS AND DISINCLINATION OF GOVERNMENT TO MAKE ANY CHANGES IN PORTFOLIO MANAGEMENT (REF BL. IF GOVERNMENT DOES DECIDE ON SELF-FINANCING FOR CAPITAL PROJECTS, AS QADI EXPECTS, REDUCED RATE OF SURPLUS ACCUMULATION WILL BE LIKELY TO FURTHER REDUCE GOQ RECEPTIVITY TO NEW INVESTMENT PROPOSALS.

PAGANELLI UNQTE  
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